

APPENDIX A

MACC CONSULTATION : VIEWS OF THE SECTORS

This section summarises the attitudes of the MACC working parties to a range of key issues identified by MACC as affecting the co-operative movement in Victoria.

The issues are grouped under three headings and questions which were put to each working party by MACC.

The synthesis is based on the views of three of the four working parties established by MACC, being consumer co-operatives, worker co-operatives and producer/marketing/trading co-operatives. The synthesis also includes the views of the Co-operative Federation of Victoria (CFV), the Victorian Credit Co-operative Association (VCCA), the Rental Housing Co-operative Advice Service (CHAS) and the Victorian Food Co-operative Study Group (VFCSG).

The synthesis identifies areas of agreement on a range of issues across the co-operative sector and also highlights diverse attitude and opinion. It does not pretend to address all of the issues raised in each of the sector-based working party reports. MACC wishes to emphasise the importance of the individual reports from each working party, which are produced in full in the "MACC Working Papers".

Should there be a definition of a co-operative included in co-operative legislation?

It was agreed that a definition was necessary provided that it recognised the plurality and diversity of the co-operative movement. None of the working parties proposed a particular definition. Definition would provide a clear identity for the co-operative sector, as an alternative to both the public and private sectors of the economy, and would therefore assist in the development of the movement.

The Producers Working Party suggested the use of the word "co-operative" as a proper noun, rather than as a descriptive adjective. This involves deleting use of the word "society". It was further recommended that a definition of "co-operative company" be included in new legislation.

The Worker Co-operative Working Party submitted that a specific category of worker co-operatives be included in new legislation and that "worker co-operative" be defined.

Should new co-operative legislation include the fundamental principles of co-operation adopted by the International Co-operative Alliance?

The Consumer Working Party agreed this was necessary. The Worker Working Party recommended inclusion, provided this allowed the efficient functioning of different types of co-operative through flexible sector interpretation.

The Producer Working Party split on this question. Options are to include:

- (a) a loose definition of all six principles, or;
- (b) the first four principles only (excluding co-operative education and inter-co-operative co-operation).

Should there be legislative interpretation of the international principles?

Options suggested were:

- (a) Legislative interpretations should be full and specific, or;
- (b) Interpretation should be contained in regulations or in model rules, rather than in the Act.

CHAS supported full legislative interpretation, whereas food co-operatives maintained that interpretation should be left up to each co-operative in model rules.

Should new legislation allow for more than one worker to be elected to the board of a co-operative and, if so, under what circumstances?

The Co-operation Act 1981 provides for a limit of one only employee-director of a co-operative society. In the case of credit co-operatives, this may well be a wise precaution.

The Worker Co-operative Working Party considered that there should be no restriction on the number of worker-directors in any sector. Food co-operatives felt that different levels of worker representation will be appropriate for different types of co-operatives. CHAS considered that co-op workers should be eligible for member status and therefore involved in the general decision-making process.

Child care co-operatives were opposed to having more than one worker on the management committee.

Should it be automatic that each co-operative be required to establish a board of directors or should alternative arrangements be possible, and if so, under what circumstances?

Older established co-operatives saw a need to maintain boards of

directors. However, it was acknowledged that emerging and new style co-operatives may well be interested in different types of arrangements. Food co-operatives and CHAS stressed a desire for non-hierarchical structures and to develop systems to maximise member participation. Worker co-operatives considered that boards should not be mandatory for small co-operatives. The appropriate participatory and representative mix should be left to members to determine in their rules, subject to a minimum number on the board or committee.

Should the legislation allow for the possibility of increasing the power of general meetings over directors, if so desired by the membership?

Consumer co-operatives considered that members at a general meeting should have absolute power over the directors; this could be determined through individual co-operative rules.

Some producer co-operatives saw a need to consider a limited proportionate scale of voting rights related to shareholding, though the limitations were not specified.

Should there be restrictions placed on the distribution of residual assets and, if so, under what circumstances?

Consumer co-operatives felt that people joined co-operatives for reasons other than future asset distribution. They believed residual assets should be distributed to other co-operatives, sector associations or a revolving co-operative fund. A majority of worker co-operatives agreed and were concerned that residual asset distribution opened the way to share speculation.

An opposite line was taken by producer co-operatives, who supported periodic asset revaluation to reflect inflation and equitable distribution of the capital by bonus share issue.

Should there be restrictions or requirements for the distribution of surplus and, if so, what should these be?

Consumer and worker co-operatives emphasised the need for surplus to be directed towards collective rather than individual benefit thereby strengthening the capital base and financial position of the co-operative. Consumer co-operatives considered that a percentage of surplus should go to a co-operative education fund; some producer co-operatives supported this.

A range of views came from producer co-operatives. There was general concern about the need to establish a sound economic base and one suggestion was that co-operatives should be discouraged from paying rebates or similar, particularly in the start-up phase. A commonly

expressed opinion was that if the co-op achieved a surplus, the membership should benefit individually. The current percentage limitation on dividend distribution, provided for in legislation, was generally regarded as being satisfactory.

“Dry” shareholders are a particular problem for producer co-operatives. Previous legislation allowed co-operatives a “buy-back” facility and it was considered that this provision should be re-introduced to allow a co-operative to hold up to 5% of its share issue.

Bonus shares

A question associated with surplus distribution concerns whether there should be provision for co-operatives to make a bonus share issue.

The Producers’ Working Party considered that bonus shares should be permitted and applied in relation to distribution for revalued assets.

The Worker Working Party considered that bonus share issue is a form of capital gain achieved through shareholding rather than through participation. The working party considered that bonus shares provide a method of assets distribution which violated the international principles of co-operation.

Glass Glow industrial co-operative, dissenting, felt that the issue of bonus shares was a legitimate form of rewarding member participation.

Should co-operative development be based on co-operative philosophy and principles?

There was agreement that a common philosophical approach is needed for the co-operative movement to develop.

A concern often mentioned in working party discussions was that co-operative development should be from the bottom up rather than top down and be controlled through structures such as sector associations.

How is it possible to ensure that development is based on co-operative philosophy and principles?

Revamped co-operative legislation and co-operative education and training were seen as the means of achieving this.

The Consumer Co-operative Working Party noted a tendency to discard co-operative ideals the larger a co-operative becomes. A member of a rural co-operative recently commented that “...the greatest problem is that Australia has no cultural background of co-operation”. The consumer co-operative group considers that “...‘co-operatives’ not adhering to basic principles should be required to find some other form of incorporation”.

The Worker Co-operative Working Party submitted that in the development of the movement, policy and support agencies must be answerable to sector associations.

It was generally agreed that co-operative education and training must address particular issues on an enterprise-specific basis.

To what extent do different co-operative sectors have different resourcing requirements and what is the impact of this on resourcing provisions?

The Worker Co-operative Working Party felt that resourcing requirements of the various co-operative sectors are different, due to contrasting attitudes in the interpretation and practice of co-operative philosophy and principles. Common resourcing was not seen as being cost-effective in the long term and overseas experience indicates that development is most effective when decentralised.

The consumer and producer groups noted the broad need for improved education and skill training resources. These could be developed and delivered at an association level with linkages to TAFE or CAE colleges for more formal topics. The proposed Victorian Co-operatives Council should provide general co-ordination. Producer co-operatives considered that education in co-operative theory and practice should form part of secondary school curricula.

Access to adequate initial working capital is a major resource requirement. The establishment of a revolving fund for co-operative development resourcing is suggested. CHAS felt that a non-government sector-based on a Co-operative Development Agency could have a significant role.

The Consumer Working Party drew attention to the valuable interchange and sharing of experience between the more experienced co-operatives and “younger” entrants; it followed that the co-operative movement may well have skills and resources which need active marketing and management. Improved co-operation between co-operatives might satisfy some resource requirements.

What kind of infrastructure should be established to assist the development of different types of co-operatives?

All working parties agreed that sector associations were the best mechanism to ensure a bottom-up approach to co-operative development. Such associations should be responsible for representation, servicing, administration, policy and education.

A Victorian Co-operatives Council is generally supported as a peak organisation provided its membership reflects the co-operative

associations and the Council does not override sector association decision-making.

The Worker Co-operative Working Party envisaged that the peak organisation would have an information exchange, policy-making and liaison role but it would not have a significant financial or technical assistance resourcing role.

To what extent should there be common and separate resourcing of the different co-operative sectors?

The Consumer Co-operative Working Party considered that a revolving fund should be established either for each co-operative sector or for the movement as a whole. Concern was expressed that allocation of resources to specific co-operatives should be external to government.

The Worker Co-operative Working Party did not accept that a peak organisation with a membership representing all co-operative sectors should assess worker co-operative applicants for funding. Nor was it accepted that housing, food or producer co-operatives can appropriately assess the funding requirements of worker co-operatives. The same argument presumably stands in the reverse situation.

The VFCSG noted that attempts through TAFE courses to provide common resourcing in relation to education have been fairly unsuccessful.

Should government directly or indirectly fund co-operatives?

It was recognised that to establish and develop a co-operative requires, as in any other business, resourcing and capital. A case could be developed for limited grants to be available for development of co-operative enterprise plans, as without such start-up grants some interest groups/projects might never get off the ground, (Consumer Working Party).

The Producer-Trading Working Party is opposed in principle to government making grant funding available to co-operatives, as they claim this undermines the self-help philosophy of co-operation. But there is wide support for loans on whatever terms, and in particular, the use of "seeding" money in the start up phase.

The Worker Co-operative Working Party recommended continued assistance for the establishment and development of worker co-operatives. It was preferred that funding should come from the co-operative sector itself but on a similar basis to that which was provided by DELA—that is, in the form of low interest loans and grants.

CHAS supported government funding with distribution through a Co-operative Development Agency.

In arguing the legitimacy of government grants in a co-operative context, worker co-operatives pointed to government grants to the private sector, in such areas as research and development, education and training and wage support. If government sees a need for socially useful goods and services which cannot be competitively marketed, there is therefore an argument for these items to be provided directly by the public sector, or indirectly through the co-operative sector on a fee-for-service basis. In such cases government would effectively be a customer of the co-operative sector.

All working parties supported government funding on a fee-for-service basis.

What should be the basis for direct or indirect government funding of co-operatives?

Consumer co-operatives felt direct funding should be on the basis of establishing viable business ventures offering opportunities for employment and to satisfy an area of need. Indirect spending should be targetted towards education and skill development and promotion. The VFCSG supported grants for business plans, initial training and capital equipment.

Producer co-operatives agreed with these opinions, with the exception that direct government funding should be restricted to loans only.

Worker co-operatives believe government can best support the development of their sector by the provision of tax allowances, sales tax exemptions, favourable tender arrangements for public contracts, continued loans and grants, co-operative education resources and schemes, consultancy services and other forms of indirect assistance such as reduced workers' compensation premiums.

Should government provide funding for co-operative infrastructure support?

Consumer co-operatives considered that financial support for infrastructure should come from government. Worker co-operatives agreed with this view and in relation to a worker co-operative association, perceived that such support would be necessary for a five year period to enable the development of a self-financing sector association.

The Co-operative Federation of Victoria has already been supported by a government grant of \$2,000 for each of the past five years. It was

considered desirable that government provide enhanced support for the proposed Victorian Co-operatives Council and the Co-operative Education and Training Authority.

To what extent should financial and technical support be based on co-operatives meeting government policies and priorities?

Worker co-operatives recognised that where the co-operative movement and the State have common aims, a common approach is desirable. The co-operative sector may, in these areas, become an instrument of state policy as does the private sector. There is no reason to suppose that this would necessarily reduce the co-operative sector to being a client of the state. On the contrary, such co-operation would enhance the capacity of co-operatives to influence state policy in all areas of common endeavour.

Consumer co-operatives considered that government will always be influenced by its own policy priorities when it comes to resource allocation. To ensure that co-operatives are to an extent isolated from political priorities, it was suggested that resource allocation to specific co-operatives should be external to government. As part of the budget process, government could decide that it will support co-operatives either as a movement or on an industry basis to a certain level. These funds could be placed in the proposed revolving fund to be allocated through the Victorian Co-operatives Council.

What should be the link between funding bodies of co-operatives and the office of the Registrar of Co-operatives?

Consumer co-operatives maintained that the connection should be based on common purpose rather than on questions of funding, in that both the Registry and funding bodies are interested in co-operative development and each would apply resources to bear to that end effect. In relation to funding agencies, their function should be to ensure that funds earmarked for a specific purpose are applied accordingly. They need not get involved in the allocation of funds to particular co-operatives.

In addition to its inspectorate role, the Registry should provide assistance and counselling to formative and newly established co-operatives regarding legislative requirements.

Producer and trading co-operatives agreed that government should not be involved in direct funding of co-operatives. Any government funding program should be contracted out to the relevant approved body for administration with full accountability to the auspicing agency. A more positive promotional and counselling role for the Registry was seen as desirable.

Trade unions

The Worker Co-operative Working Party submitted that the relationship between the co-operative and trade union movements was distant but important. In particular it recognised that the experience and knowledge of the trade union movement could be of invaluable assistance to worker co-operatives. It submitted that closer links should be developed and trade union membership encouraged.